CANADA MALTING CO.
LIMITED

Annual Report

For the Year Ending December 31, 1943

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Board of Directors

Geo. Bailey
Eric S. Clarke
J. E. Grant
H. C. Hatch
John P. Heighton
Walter C. Laidlaw
Arnold C. Matthews
L. M. McCarthy
C. H. S. Michie

Executive Officers

ARNOLD C. MATTHEWS - - - - *President*
H. C. HATCH - - - - - *Vice-President*
ERIC S. CLARKE - - - - *Managing-Director*
JOHN P. HEIGHTON - - *Secretary and Treasurer*

Report of the Directors to the Shareholders of

CANADA MALTING CO., LIMITED

For the Fiscal Year ended December 31, 1943

The Board of Directors submits herewith Balance Sheet and Profit and Loss Statement for the twelve months ended December 31, 1943, as certified by the Auditors of the Company, Messrs. Price, Waterhouse & Co.

The net profit from operations for the year, after charging all manufacturing, administrative and general expenses, depreciation, income and excess profits taxes (including refundable portion of excess profits tax—$172,434.78) amounted to $442,937.13. The comparative figure in the previous year was $480,786.79.

To this was added income from investments, etc.—$83,668.90, making a final net profit carried to Earned Surplus of $526,606.03, or approximately $2.65 per share. Dividends paid during the year amounted to $2.50 per share.

The decline in net profit in 1943 was due to the application of the existing excess profits tax to the full twelve months in this period, and to only six months operations in 1942.

The increase in the investment in marketable securities, as indicated in the Balance Sheet, represents an additional purchase of Victory Bonds.

The refundable portion of excess profits tax accumulated to date is $223,934.78.

The net working capital is $4,431,156.61—an increase of $116,627.85 from the previous year. The ratio of current assets to liabilities is approximately 4.4 to 1.

The provision for income and excess profits taxes, before deducting the refundable portion, amounted to $1,241,648.04, as compared with $830,000.00 in 1942.

Under Deferred Charges an item appears, "The Canadian Wheat Board—$156,287.97." This represents the prepayment to the Wheat Board of the Government Equalization Fee relative to export contracts of malt made in 1943 for forward delivery. It is included in the price of the said contracts and will be received by the Company when the goods are shipped and paid for.

Capital Expenditures were kept to a minimum. Your properties were maintained in first-class repair.

Volume of sales during the year showed a sizable increase over 1942. This was only accomplished by appreciable reduction of inventory, as all plants were operating at capacity during both years. The higher sales can be attributed, to a major degree, to the increased Government demand for industrial alcohol for war purposes. This trend was most marked in the later months of 1943, and, in order to adequately meet this demand, your Directors were obliged to give consideration to enlarging the capacity of your Montreal plant. After consultation with several Government Departments, it was decided to proceed with this work, which is now in progress, and will cost approximately $500,000.00.

Your Company has no reconversion problem relative to peace-time operations. The problem which will arise, however, will be to find a ready market for the output of over 2,000,000 bushels additional manufacturing capacity (represented by the 1940 construction at Toronto and the above-mentioned addition at Montreal) which will have been constructed by the Company since 1939. The major portion of this quantity will be absorbed by war demand. It represents about 40% of the Company's total pre-war output. It will mean strenuous efforts to regain and enlarge export markets.

We have always experienced cordial relations with our employees. The officers of the Company and the men discuss matters at frequent intervals relative to working conditions, rates of pay, etc., and have never failed to arrive at a mutually satisfactory understanding. A high scale of wages is paid. Annual holidays with pay, as well as statutory holidays during the year, are granted. The Company provides for the major cost of group life insurance and retirement pension. Contact is kept with those who have enlisted in the armed forces; the Company pays a substantial percentage of the difference in remuneration received while in the services as compared with pre-enlistment wages, and maintains their group insurance and pension in good standing.

Your Directors wish to express their appreciation of the loyal and efficient support rendered by the officers, staff and employees throughout the year.

Submitted on behalf of the Board.

ARNOLD C. MATTHEWS,
President.

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Balance Sheet, D

ASSETS

CURRENT ASSETS:			
Cash on hand		$ 1,470.09	
Investment in marketable securities, at cost		2,075,691.56	
(Market value $2,007,852.44)			
Accounts receivable, less reserve		775,584.00	
Inventories, as determined and certified to by responsible officers of the company:			
Malt, barley, etc.—on the basis of the lower of approximate cost or market, less reserve	$2,676,190.14		
Coal, bags, etc.—on the basis of cost	214,154.50	2,890,344.64	
			$5,743,090.29
DOMINION OF CANADA BONDS, at cost: Deposited with Department of National Revenue			4,311.54
REFUNDABLE PORTION OF EXCESS PROFITS TAX			223,934.78
GRAIN EXCHANGE SEAT AND MEMBERSHIPS IN CLEARING ASSOCIATIONS, less amount written off			16,701.00
DEFERRED CHARGES:			
Prepaid taxes, insurance, etc.		$ 24,347.49	
Machinery repair parts and office supplies		5,000.00	
Equalization fees paid to the Canadian Wheat Board		156,287.97	
			185,635.46
FIXED ASSETS, based on appraised depreciated values, as reported by Canadian Appraisal Company Limited as at June 25, 1927, plus subsequent additions at cost:			
Land		$ 242,532.81	
Buildings	$2,996,346.45		
Plant and equipment	2,437,386.99		
	$5,433,733.44		
Less—Reserve for depreciation	3,035,137.64	2,398,595.80	
			2,641,128.61
			$8,814,801.68

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co., Limited, information and explanations which we have required; and we report that, in ou correct view of the state of the company's affairs as at December 31, 1943, accor by the books of the company.

TORONTO, March 9, 1944.

G CO., LIMITED

ecember 31st, 1943

LIABILITIES

CURRENT LIABILITIES:			
Bank advances (secured)		$ 146,113.02	
Accounts payable and accrued liabilities		259,347.85	
Reserve for income, excess profits and other taxes		906,472.81	
			$1,311,933.68
RESERVE AGAINST FUTURE DEPRECIATION IN INVENTORY VALUES			200,000.00
CAPITAL AND SURPLUS:			
Capital Stock—			
Represented by 198,972 shares without nominal or par value	$4,441,960.00		
(Authorized 200,000 shares)			
Capital surplus (no change during the year)	797,676.01		
		$5,239,636.01	
Earned surplus (as per statement attached)		1,839,297.21	
Refundable portion of excess profits tax		223,934.78	
			7,302,868.00
			$8,814,801.68

APPROVED ON BEHALF OF THE BOARD:

ARNOLD C. MATTHEWS, Director.

ERIC S. CLARKE, Director.

or the year ending December 31, 1943, and have been furnished with all the opinion, the above balance sheet is properly drawn up so as to exhibit a true and ng to the best of our information and the explanations given to us, and as shown

PRICE, WATERHOUSE & CO.
Chartered Accountants.

CANADA MALTING CO., LIMITED

Statement of Profit and Loss and Earned Surplus for the Year Ending December 31, 1943

PROFIT AND LOSS

Particulars		Amount
Profit from operations for the year after charging all manufacturing, selling and general expenses, but before providing for the under-noted charges		$1,969,442.42
Deduct—		
Directors' fees	$ 2,500.00	
Total amount paid or provided as counsel and solicitors' fees, and remuneration and fees of executive officers and directors who hold salaried positions in the company	57,357.25	59,857.25
Operating Profit for the year, before providing for depreciation of buildings, plant and equipment and income and excess profits taxes		$1,909,585.17
Deduct—Provision for depreciation of buildings, plant and equipment		225,000.00
		$1,684,585.17
Deduct—Provision for Dominion income and excess profits taxes (before deducting refundable portion of excess profits tax—$172,434.78)		1,241,648.04
		$ 442,937.13
Add—Income from investments, etc.		83,668.90
Net Profit for the year ending December 31, 1943, carried to Earned Surplus		$ 526,606.03

EARNED SURPLUS

Balance as at December 31, 1942		$1,810,121.18
Add—		
Net profit for the year ending December 31, 1943	$526,606.03	
Deduct—Dividends paid	497,430.00	
		29,176.03
Balance as at December 31, 1943		$1,839,297.21